

Responses from P157 Definition Consultation

Consultation issued 03 February 2004

Representations were received from the following parties:

No	Company	File Number	No. BSC Parties Represented	No. Non-Parties Represented
1.	SmartestEnergy Limited	P157_DEF_001	1	0
2.	Powergen UK plc	P157_DEF_002	14	0
3.	RWE Trading	P157_DEF_003	10	0
4.	Scottish Power UK plc	P157_DEF_004	6	0
5.	Scottish and Southern Energy	P157_DEF_005	5	0
6.	Midlands Electricity	P157_DEF_006	1	0
7.	British Gas Trading	P157_DEF_007	1	0
8.	energywatch	P157_DEF_008	1	0

P157_DEF_001 – SmartestEnergy Limited

Respondent:	<i>Colin Prestwich</i>
No. of BSC Parties Represented	<i>1</i>
BSC Parties Represented	<i>SmartestEnergy Limited</i>
No. of Non BSC Parties Represented	
Non BSC Parties represented	
Role of Respondent	<i>Consolidator</i>

1.1	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you support the principle of P157 that the current Supplier Charges Rules in their entirety are not appropriate or effective as a corrective technique? Please give rationale (Please note that this does not mean all aspects of the current Supplier Charges rules are inappropriate or ineffective)	Yes	Currently, large incumbent NHH suppliers are not incentivised to improve their data in settlements and can in theory receive money from better performing independent half hourly suppliers because of the 90/10 redistribution.
2.	<i>The questions below all refer to a Supplier Charge type mechanism see section 2.2.</i>		

1.1	Question	Response Error! Bookmark not defined.	Rationale
2a	<p>How should the funds acquired from Supplier Charge invoicing be treated?</p> <ul style="list-style-type: none"> i) Redistribution (as currently) ii) Amended redistribution so those who have performed badly do not receive, or receive less, funds. iii) Cover cost of PAF. iv) Central account get back when perform well v) Other? <p>Please give rationale</p>	ii) delete as appropriate	Amended redistribution is the best of the solutions offered here.
2b	<p>Is the current capping approach suitable? If not please state whether in your opinion should capping be removed? Please give rationale</p>	No	The current capping is not suitable but it would be inappropriate to remove caps without addressing redistribution and the genuine pre-estimate of loss.

1.1	Question	Response Error! Bookmark not defined.	Rationale
2c	<p>Which of these should a new Supplier Charges technique utilise?</p> <ul style="list-style-type: none"> i) Delivery of Routine Performance Reports (Serial SP01) ii) Delivery of Routine Performance Logs (Serial SP02) iii) Installation of HH Metering in 100kW premises (Serial SP04) iv) NHH Energy and MSIDs on AAs (Serial SP08a) v) 100kW HH Energy and MSIDs on Actuals (Serial SP08b) vi) Non-100kW HH Energy and MSIDs on Actuals (Serial SP08c) vii) Other performance measure (for example based on issues that led to audit qualification)? <p>Please give rationale</p>	<p>a / b / c / d / e / f delete as appropriate</p>	<p>iv) only.</p>
2d	<p>Should a provision catering for circumstances of force-majeure be included? Please give rationale and state how this could be done</p>	<p>No</p>	<p>But PAB should have the discretion to reduce the amount owed if it can be shown to be grossly unfair.</p>
3.	<p><i>The questions below all refer to a GSPGCF type mechanism see section 2.3.</i></p>		

1.1	Question	Response Error! Bookmark not defined.	Rationale
3a	<p>Do you support the Group's initial recommendation that the GSPGCF options should not be progressed?</p> <p>i) Applying greater proportion of Group Correction energy to EAC vs. AA</p> <p>ii) Adding volume directly to EACs</p> <p>Please give rationale</p>	No	If a technique is to be chosen where money changes hands, then this option needs to be a top priority since it is clearly more related to actual effects in settlement than other options. However, if naming in isolation is the only practical solution, then this GSPGCF need not be progressed.
4.	<p><i>The questions below all refer to a Naming type mechanism see section 2.4.</i></p> <p><i>Note this will be used as an additional technique</i></p>	1.2	1.3
4a	<p>Do you support the Group's initial recommendation that peer group comparison option should be progressed rather than the naming by exception option?</p> <p>Please give rationale</p>	Yes / No	Yes, so long as it is averaged over three months so that the effects of smaller suppliers' variable numbers do not distort the picture.
4b	<p>Do you support the Group's approach regarding what would be published?</p> <p>A table split by NHH and HH Suppliers with proportion of EAC/estimated versus AA/actual data entered into Settlement at RF and R1 respectively.</p>	Yes	
4c	<p>Is there any other data you would like to see published?</p> <p>1.4 If so please state and give rationale.</p>	No	
5.	<p><i>The questions below all refer to another mechanism see section 2.5a i.e. not allowing corrections after RF.</i></p>		

1.1	Question	Response Error! Bookmark not defined.	Rationale
5a	Do you consider this approach to be a suitable corrective technique? Please give rationale	No	
6.	<i>The questions below all refer to Implementation Date decision see section 2.6.</i>		
6a	Do you agree that the Implementation Date should be arranged so as to prevent a 'run-off' of the current Supplier Charges rules? Please give rationale	Yes	
7.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P157 to the Assessment Procedure? Please give issues and rationale	No	
8.	Are there any alternatives that you believe should be assessed during the Assessment Procedure? Please give rationale	No	
9.	Are there any further comments on P157 that you wish to make?	No	

P157_DEF_002 – Powergen UK plc

Respondent:	Afroze Miah
No. of BSC Parties Represented	14
BSC Parties Represented	Powergen UK plc, Powergen Retail Limited, Cottam Development Centre Limited, TXU Europe Drakelow Limited, TXU Europe Ironbridge Limited, TXU Europe High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, Severn Trent Energy Limited (known as TXU Europe (AHST) Limited), TXU Europe (AHGD) Limited and Ownlabel Energy Limited
Role of Respondent	Supplier/Generator

1.5	Question	Response	Rationale
1.	Do you support the principle of P157 that the current Supplier Charges Rules in their entirety are not appropriate or effective as a corrective technique? Please give rationale (Please note that this does not mean all aspects of the current Supplier Charges rules are inappropriate or ineffective)	No	The industry has not given the current supplier charges framework enough time to bed down and be used in any meaningful way. More time should be allowed to see what effect the current arrangements have on performance before we consider replacing them. Remember, invoices have not yet been sent so suppliers do not know what their position is regarding these charges and whether they will incentivise them. Get the current arrangements WORKING before we tamper with them!
2.	<i>The questions below all refer to a Supplier Charge type mechanism see section 2.2.</i>		

1.5	Question	Response	Rationale
2a	<p>How should the funds acquired from Supplier Charge invoicing be treated?</p> <ul style="list-style-type: none"> vi) Redistribution (as currently) vii) Amended redistribution so those who have performed badly do not receive, or receive less, funds. viii) Cover cost of PAF. ix) Central account get back when perform well x) Other? <p>1.6 Please give rationale</p>	a	<p>Our rationale continues from above. We should not tamper with the re-distribution mechanism or any aspects of the current supplier charges framework until we know the current arrangements are either not working properly or are, in fact, unworkable.</p>
2b	<p>Is the current capping approach suitable? If not please state whether in your opinion should capping be removed? Please give rationale</p>	Yes	<p>Capping is sensible where submissions might be wrong or where a supplier has a real issue and they are working to correct it. It also protects new or smaller suppliers who may suffer financially because of the quality of data they may have / receive (new entrants) or if they have a particularly bad period of performance (both new entrants/small suppliers).</p>

1.5	Question	Response	Rationale
2c	<p>Which of these should a new Supplier Charges technique utilise?</p> <ul style="list-style-type: none"> viii) Delivery of Routine Performance Reports (Serial SP01) ix) Delivery of Routine Performance Logs (Serial SP02) x) Installation of HH Metering in 100kW premises (Serial SP04) xi) NHH Energy and MSIDs on AAs (Serial SP08a) xii) 100kW HH Energy and MSIDs on Actuals (Serial SP08b) xiii) Non-100kW HH Energy and MSIDs on Actuals (Serial SP08c) xiv) Other performance measure (for example based on issues that led to audit qualification)? <p>Please give rationale</p>	N/A	Retain the current supplier charges framework and give them more time and effort to succeed.
2d	<p>Should a provision catering for circumstances of force-majeure be included?</p> <p>Please give rationale and state how this could be done</p>	Yes	This seems sensible.
3.	<p><i>The questions below all refer to a GSPGCF type mechanism see section 2.3.</i></p>		
3a	<p>Do you support the Group's initial recommendation that the GSPGCF options should not be progressed?</p> <ul style="list-style-type: none"> iii) Applying greater proportion of Group Correction energy to EAC vs. AA iv) Adding volume directly to EACs <p>Please give rationale</p>	Yes	The Definition consultation document adequately explains the deficiencies of these methods.

1.5	Question	Response	Rationale
4.	<p><i>The questions below all refer to a Naming type mechanism see section 2.4.</i></p> <p><i>Note this will be used as an additional technique</i></p>		
4a	<p>Do you support the Group's initial recommendation that peer group comparison option should be progressed rather than the naming by exception option?</p> <p>Please give rationale</p>	No	<p>We very much doubt how much of an incentive naming will be to get a supplier to improve its performance. We believe neither peer group comparison nor naming by exception will work adequately.</p> <p>Industry needs to work together to get the current arrangements working before we consider such a move. We believe that more could be done to raise the profile of supplier performance with senior management, without the need for public peer group comparison with its associated problems of commercial confidentiality and need for industry wide <u>endorsement</u> of the methodology. The methodology and what is reported must be accurate beyond doubt before you can consider reporting a supplier on their performance.</p> <p>We believe that publication of peer comparison information should, as a principle, only be used where it is clear that it will be more effective than other methods, and recognise any commercial confidentiality. If such an option is selected then careful consideration must be given to how and what is published and there must be a route of appeal for suppliers to question the validity of their being named and for what.</p>
4b	<p>Do you support the Group's approach regarding what would be published?</p> <p>A table split by NHH and HH Suppliers with proportion of EAC/estimated versus AA/actual data entered into Settlement at RF and R1 respectively.</p>	No	<p>See our comments above.</p> <p>If you do publish such information then you need to make sure it is accurate, recognises commercial confidentiality and there is a room for appeal if a supplier believes that data is incorrect.</p>

1.5	Question	Response	Rationale
4c	Is there any other data you would like to see published? If so please state and give rationale.	No	
5.	<i>The questions below all refer to another mechanism see section 2.5a i.e. not allowing corrections after RF.</i>		
5a	Do you consider this approach to be a suitable corrective technique? Please give rationale	Yes	As an Industry we should ensure that all data adjustments and reconciliations are correct and performed by the 14 th Month RF deadline. If everyone in the Industry worked together (see Point 7 below), we would be well placed to process data adjustments and reconciliations before Reconciliation Final.
6.	<i>The questions below all refer to Implementation Date decision see section 2.6.</i>		
6a	Do you agree that the Implementation Date should be arranged so as to prevent a 'run-off' of the current Supplier Charges rules? Please give rationale	Yes	This seems to be a sensible approach to take.
7.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P157 to the Assessment Procedure? Please give issues and rationale	Yes	Consider scrapping supplier charges altogether and get everyone to work together much closer than is currently the case. We would like to see more time and effort spent by the industry in trying to understand the underlying problems that prevent suppliers reaching the agreed performance levels, and what can be done to increase the chance of these being reached, rather than the 'threat' type approach that we have at the moment (with supplier charges, for example).
8.	Are there any alternatives that you believe should be assessed during the Assessment Procedure? Please give rationale	Yes	Review the current arrangements and see how we can get them to work better. Consider scrapping supplier charges altogether.

1.5	Question	Response	Rationale
9.	Are there any further comments on P157 that you wish to make?	No	

P157_DEF_003 – RWE Trading

Respondent:	<i>Carl Wilkes</i>
No. of BSC Parties Represented	<i>Ten</i>
BSC Parties Represented	RWE Trading Gmbh, RWE Innogy plc, Innogy Co-gen Ltd, Innogy Co-gen Trading Ltd, Npower Direct Ltd, Npower Ltd, Npower Northern Ltd, Npower Northern Supply Ltd, Npower Yorkshire Ltd, Npower Yorkshire Supply Ltd
No. of Non BSC Parties Represented	<i>N/A</i>
Non BSC Parties represented	
Role of Respondent	<i>Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent</i>

1.7	Question		Rationale
1.	Do you support the principle of P157 that the current Supplier Charges Rules in their entirety are not appropriate or effective as a corrective technique? Please give rationale (Please note that this does not mean all aspects of the current Supplier Charges rules are inappropriate or ineffective)	Yes	Although the current rules are not entirely defective, there is room for improvement. Replacement of the current rules should be subject to an extensive cost/benefit appraisal to ensure that any suggested replacement is an improvement.
2.	<i>The questions below all refer to a Supplier Charge type mechanism see section 2.2.</i>		

1.7	Question		Rationale
2a	<p>How should the funds acquired from Supplier Charge invoicing be treated?</p> <ul style="list-style-type: none"> xi) Redistribution (as currently) xii) Amended redistribution so those who have performed badly do not receive, or receive less, funds. xiii) Cover cost of PAF. xiv) Central account get back when perform well xv) Other? <p>1.8 Please give rationale</p>	E (v other)	<p>Supplier charges and redistribution ought to reflect a genuine estimate of the loss caused by one party to another. This rules out some of the other options given i.e. if a party is performing badly it is not always entirely its own fault. Other parties in the market may be to blame.</p>
2b	<p>Is the current capping approach suitable? If not please state whether in your opinion should capping be removed? Please give rationale</p>	Yes	<p>The reason for the present Caps was that some Agents would not accept liabilities beyond a certain amount (this was probably due to reasons relating to insurance limits).</p>

1.7	Question		Rationale
2c	<p>Which of these should a new Supplier Charges technique utilise?</p> <ul style="list-style-type: none"> xv) Delivery of Routine Performance Reports (Serial SP01) xvi) Delivery of Routine Performance Logs (Serial SP02) xvii) Installation of HH Metering in 100kW premises (Serial SP04) xviii) NHH Energy and MSIDs on AAs (Serial SP08a) xix) 100kW HH Energy and MSIDs on Actuals (Serial SP08b) xx) Non-100kW HH Energy and MSIDs on Actuals (Serial SP08c) xxi) Other performance measure (for example based on issues that led to audit qualification)? <p>Please give rationale</p>	None at present	The derivation of estimated cost impacts on parties and charge levels needs to be clarified for each of the options given and this needs to be done as soon as possible.
1.9	<p>Should a provision catering for circumstances of force-majeure be included?</p> <p>Please give rationale and state how this could be done</p>	Yes	A provision for Supplier Force Majeure should be retained. The criteria needs to be set so that the circumstances in which they would be met are very limited. This is necessary because there are a number of features of the current arrangements which mean that in the event of a major failure, by a party, there could have a significant impact on the performance of another party (outside of its control and of any possible mitigation).
3.	<p><i>The questions below all refer to a GSPGCF type mechanism see section 2.3.</i></p>		

1.7	Question		Rationale
1.10	Do you support the Group's initial recommendation that the GSPGCF options should not be progressed? v) Applying greater proportion of Group Correction energy to EAC vs. AA vi) Adding volume directly to EACs Please give rationale	Yes	These mechanisms do not work because for some GSP Groups they may actually reward under-performance. Adding volume to (or scaling up) EACs could distort cash-flow significantly, which potentially has credit risk and general Audit implications which needs to be evaluated properly before going down this route.
4.	<i>The questions below all refer to a Naming type mechanism see section 2.4. Note this will be used as an additional technique</i>		
4a	Do you support the Group's initial recommendation that peer group comparison option should be progressed rather than the naming by exception option? Please give rationale	None	Neither option is agreeable if the information is to be published to a non industry audience. We are of the opinion that external publication of comparisons can only lead to public misconceptions of the industry. The suggested comparisons would be based on historical data (over one year old) and this would not be a guaranteed reflection of a Supplier's current performance. There is also the question of accuracy. What redress would there be, if the information published was inaccurate, but had caused damage to the Supplier's 'brand' and reputation?
4b	Do you support the Group's approach regarding what would be published? A table split by NHH and HH Suppliers with proportion of EAC/estimated versus AA/actual data entered into Settlement at RF and R1 respectively.	No	NHH performance may reflect the mix of monthly and less frequently billed customers.
4c	Is there any other data you would like to see published? If so please state and give rationale.	Yes	A comprehensive trend analysis of EAC's & AA's by Supplier & Agent all by GSP group would be very useful comparisons. These comparisons would enable parties to ensure that they were paying the correct amount for their energy through settlements.

1.7	Question		Rationale
5.	<i>The questions below all refer to another mechanism see section 2.5a i.e. not allowing corrections after RF.</i>		
1.11	Do you consider this approach to be a suitable corrective technique? Please give rationale	No	Not allowing corrections after RF would save the costs of Disputes processes, but would potentially allow offenders to hang on to their gains.
6.	<i>The questions below all refer to Implementation Date decision see section 2.6.</i>		
6a	Do you agree that the Implementation Date should be arranged so as to prevent a 'run-off' of the current Supplier Charges rules? Please give rationale	Yes	Any new technique introduced should be on a Settlement Date basis with no retrospection. What needs to be considered is when the action (or inaction) giving rise to a particular under-performance actually occurred. This means that for some standards/charges the earliest implementation date should be at least 14 months after approval of the Modification.
7.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P157 to the Assessment Procedure? Please give issues and rationale	Yes	Please refer to answer given in 4c.
8.	Are there any alternatives that you believe should be assessed during the Assessment Procedure? Please give rationale	Yes	Please refer to answer given in 4c.
9.	Are there any further comments on P157 that you wish to make?	No	

P157_DEF_004 – Scottish Power UK plc

Respondent:	<i>Tim Roberts (Scottish Power)</i>
No. of BSC Parties Represented	6
BSC Parties Represented	<i>Scottish Power UK plc; ScottishPower Energy Management Ltd; Scottish Power Generation Ltd; ScottishPower Energy Retail Ltd; SP transmission Ltd; SP Manweb PLC.</i>
No. of Non BSC Parties Represented	0
Non BSC Parties represented	
Role of Respondent	SUPPLIER/GENERATOR/ TRADER / CONSOLIDATOR / EXEMPTABLE GENERATOR / PARTY AGENT

1.12	Question	Response	Rationale
1.	Do you support the principle of P157 that the current Supplier Charges Rules in their entirety are not appropriate or effective as a corrective technique? Please give rationale (Please note that this does not mean all aspects of the current Supplier Charges rules are inappropriate or ineffective)	Yes	Performance is not improving in many areas, so it is clear that the Current Supplier Charges Rules are NOT effective as a corrective technique. The current incentives to address root causes and implement enduring solutions are clearly insufficient, due primarily to the redistribution of funds.
2.	<i>The questions below all refer to a Supplier Charge type mechanism see section 2.2.</i>		

1.12	Question	Response	Rationale
2a	<p>How should the funds acquired from Supplier Charge invoicing be treated?</p> <ul style="list-style-type: none"> xvi) Redistribution (as currently) xvii) Amended redistribution so those who have performed badly do not receive, or receive less, funds. xviii) Cover cost of PAF. xix) Central account get back when perform well xx) Other? <p>Please give rationale</p>	<p>ii) and iii)</p>	<p>The proposal that redistribution should go to those performing above average could still mean that Suppliers failing to meet targets themselves would get a share anyway. In other words, it seems a little daft that the perpetrator gets a chunk of its own money back.</p> <p>Further, even if you performance is worse than average, you are still impacted by the poor performance of others. It would seem fairer to redistribute via a reduction in central costs generally, e.g. PAF costs. If PAF costs were over-recovered, the excess could go into the general BSC costs pot.</p> <p>Whatever mechanism replaces the existing one, the charges must reflect the level of impact on the other suppliers' businesses and not be set at a penal level that gives them a windfall gain, and that this must be considered when looking for a new method of redistribution.</p>
2b	<p>Is the current capping approach suitable?</p> <p>If not please state whether in your opinion should capping be removed?</p> <p>Please give rationale</p>	<p>No</p>	<p>Capping as it stands just now is not appropriate as it favours larger Suppliers with bad performance, smaller Suppliers with a lesser share of the market would usually have to pay the full amount.</p> <p>Removal of the cap should not allow supplier charges to exceed a genuine pre-estimate of loss, otherwise we risk straying into the area of "penalties".</p>

1.12	Question	Response	Rationale
2c	<p>Which of these should a new Supplier Charges technique utilise?</p> <ul style="list-style-type: none"> xxii) Delivery of Routine Performance Reports (Serial SP01) xxiii) Delivery of Routine Performance Logs (Serial SP02) xxiv) Installation of HH Metering in 100kW premises (Serial SP04) xxv) NHH Energy and MSIDs on AAs (Serial SP08a) xxvi) 100kW HH Energy and MSIDs on Actuals (Serial SP08b) xxvii) Non-100kW HH Energy and MSIDs on Actuals (Serial SP08c) xxviii) Other performance measure (for example based on issues that led to audit qualification)? <p>Please give rationale</p>	<p>iii) to vii) at least</p>	<p>iii) to vi) are the key measures. However consideration should be given to issues under vii) which lead to a qualified audit of the Industry's accounts.</p>
2d	<p>Should a provision catering for circumstances of force-majeure be included?</p> <p>Please give rationale and state how this could be done</p>	<p>Yes</p>	<p>This would need to be very tightly defined, to avoid abuse by unscrupulous Suppliers.</p>
3.	<p><i>The questions below all refer to a GSPGCF type mechanism see section 2.3.</i></p>		

1.12	Question	Response	Rationale
3a	<p>Do you support the Group's initial recommendation that the GSPGCF options should not be progressed?</p> <p>vii) Applying greater proportion of Group Correction energy to EAC vs. AA</p> <p>viii) Adding volume directly to EACs</p> <p>Please give rationale</p>	Yes	<p>Scottish Power are strongly opposed to this option.</p> <p>Any mechanism that creates uncertainty as to the outcome of the settlement and/or GCF calculations, as suggested in this option would increase the risk of not being able to accurately forecast outturn deemed take, hence increasing exposure to imbalance charges.</p>
4.	<p><i>The questions below all refer to a Naming type mechanism see section 2.4.</i></p> <p><i>Note this will be used as an additional technique</i></p>		
4a	<p>Do you support the Group's initial recommendation that peer group comparison option should be progressed rather than the naming by exception option?</p> <p>Please give rationale</p>	Yes	<p>We should see everyone's performance each time. That way, no-one can complain they've been "outed" for a one-off blip in performance, as the overall trend will be visible. Also, reporting by exception would require establishment of a reporting threshold, which would simply become the de facto performance standard.</p> <p>We would be interested to see what format the peer comparison report would take, something similar to what PARMS contacts receive for all NHH & HH Supplier ids at most runs split by GSP Group would seem sensible.</p>
1.13	<p>Do you support the Group's approach regarding what would be published?</p> <p>A table split by NHH and HH Suppliers with proportion of EAC/estimated versus AA/actual data entered into Settlement at RF and R1 respectively.</p>	Yes	Seems sufficient.

1.12	Question	Response	Rationale
4c	Is there any other data you would like to see published? If so please state and give rationale.	No	
5.	<i>The questions below all refer to another mechanism see section 2.5a i.e. not allowing corrections after RF.</i>		
5a	Do you consider this approach to be a suitable corrective technique? Please give rationale	No	If a supplier has benefited from his errors or poor data quality, by understating his deemed take, this would be what he would want, i.e. not correcting the errors.
6.	<i>The questions below all refer to Implementation Date decision see section 2.6.</i>		
a	Do you agree that the Implementation Date should be arranged so as to prevent a 'run-off' of the current Supplier Charges rules? 1.14 Please give rationale	???	Wouldn't this make the mod retrospective? Isn't it unfair to introduce new charges (potentially higher) after the event when it might be too late to make the necessary improvements?
7.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P157 to the Assessment Procedure? Please give issues and rationale	Yes	Has any thought been given to abandoning any pretence of financial sanctions? Is it really feasible to calculate a genuine pre-estimate of loss that would really be effective? Should we consider implementing a stricter escalation procedure such that persistent offenders are reported upwards from PAB to the Panel, where they could be deemed to be in breach of the Code? The MRA has a "breach" clause, whereby offenders are given an opportunity to correct the breach, failing which they are declared to OFGEM as being in breach, thereby risking revocation of their licence. Could this not be applied to the Code in a similar way? Some might feel this too draconian but might it not be more effective than relatively small financial sanctions?
8.	Are there any alternatives that you believe should be assessed during the Assessment Procedure? Please give rationale	Yes	See 7.

1.12	Question	Response	Rationale
9.	Are there any further comments on P157 that you wish to make?	Yes	See 7.

P157_DEF_005 – Scottish and Southern Energy

Respondent:	<i>SSE</i>
No. of BSC Parties Represented	<i>Five</i>
BSC Parties Represented	Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd., Medway Power Ltd., and SSE Energy Supply Ltd.
No. of Non BSC Parties Represented	<i>0</i>
Non BSC Parties represented	<i>N/A</i>
Role of Respondent	<i>Supplier/Generator</i>

1.15	Question	Response	Rationale
1.	Do you support the principle of P157 that the current Supplier Charges Rules in their entirety are not appropriate or effective as a corrective technique? Please give rationale (Please note that this does not mean all aspects of the current Supplier Charges rules are inappropriate or ineffective)	Yes	<p>It is important to distinguish between the Serials and Supplier Charges that apply to them. You can abolish Supplier Charges without changing the Serials.</p> <p>There is no evidence that Supplier Charges associated with the Serials are effective or not, because the charges have been suspended for long periods, and their operation as an incentive is not proven.</p> <p>The appropriateness of the Serials depends whether they are within a Supplier's control and whether they target successfully the effect that they are supposed to mitigate. In some cases, e.g. HH Meter Installation clearly do, but Serial 1 does not because the true target is the quality of EAC data, not solely the proportion of Aas as at present.</p>
2.	<i>The questions below all refer to a Supplier Charge type mechanism see section 2.2.</i>		

1.15	Question	Response	Rationale
2a	<p>How should the funds acquired from Supplier Charge invoicing be treated?</p> <ul style="list-style-type: none"> a) Redistribution (as currently) b) Amended redistribution so those who have performed badly do not receive, or receive less, funds. c) Cover cost of PAF. d) Central account get back when perform well e) Other? <p>Please give rationale</p>	a)	<p>(a) Provided that the serials are meaningful and reflect loss and costs of "injured" parties, then the current mechanism is the fairest. The principle of redistribution of moneys is not confined to Supplier Charges as it is used in the RCRC process. Objections on the grounds that it is unpredictable apply equally to RCRC, yet most parties accept and manage much larger sums of money as a matter of course.</p> <p>(b) Is penal by nature and may run into legal issues.</p> <p>(c) Would result in a central fund building up with no obvious place for it to be reimbursed.</p> <p>(d) There would be no guarantee that parties would improve and therefore reclaim their moneys. A similar, if smaller, situation to (c)</p>
2b	<p>Is the current capping approach suitable? If not please state whether in your opinion should capping be removed? Please give rationale</p>	Yes	<p>The value of the current cap should be reviewed, but it is extremely unlikely that parties would agree to a limitless liability on this or any other matter.</p>
2c	<p>Which of these should a new Supplier Charges technique utilise?</p> <ul style="list-style-type: none"> a) Delivery of Routine Performance Reports (Serial SP01) b) Delivery of Routine Performance Logs (Serial SP02) c) Installation of HH Metering in 100kW premises (Serial SP04) d) NHH Energy and MSIDs on AAs (Serial SP08a) e) HH Energy and MSIDs on Actuals (Serial SP08b) <p>Please give rationale</p>	<ul style="list-style-type: none"> a) b) c) e) 	<p>a), b), c) and e) are all appropriate.</p> <p>d) would be if it was targeted more at the quality of EAC data rather than a simple measure of AAs.</p>

1.15	Question	Response	Rationale
1.16	Should a provision catering for circumstances of force-majeure be included? Please give rationale	Yes	There will be circumstances in which FM is appropriate, and these need to be prescribed and mitigated as in any commercial contract. One mitigation could be the application of a cap.
3.	<i>The questions below all refer to a GSPGCF type mechanism see section 2.3.</i>		
1.17	Do you support the Group's conclusion that the GSPGCF options should not be progressed? a) Applying greater proportion of Group Correction energy to EAC vs. AA b) Adding volume directly to EACs Please give rationale	Yes	BUT, we do feel that the mechanism needs to target the accuracy of EACs ias the real root cause issue. The level of AAs is only a contributory factor to the real issue.
4.	<i>The questions below all refer to a Naming type mechanism see section 2.4. Note this will be used as an additional technique</i>		
4a	Do you support the Group's conclusion that peer group comparison option should be progressed rather than the naming by exception option? Please give rationale	Yes	Naming is too extreme in an industry with a wide range of parties, big and small, privately-owned, stock-market listed etc. There is a significant liability risk that a company might be named in error. Continuous peer comparison is much more effective because continuous effort is what is needed by all companies to keep the issues under control. Continuous peer comparison keeps all parties on their toes, not just those whose performance needs to be improved.
4b	Do you support the Group's approach regarding what would be published? A table split by NHH and HH Suppliers with roportion of estimated versus actual data entered into Settlement at RF and R1 respectively.	Yes	But, as in the responses to questions 2d and 3a, we believe that a simple proportion of actuals is not the correct measure on which to base Supplier Charges for Serial 1.
5.	<i>The questions below all refer to another mechanism see section 2.5a i.e. not allowing corrections after RF.</i>		

1.15	Question	Response	Rationale
5a	Do you consider this approach to be a suitable corrective technique? Please give rationale	Yes	As detailed above there should be another corrective technique based on the accuracy of EACs. If a Supplier submits EACs that are higher than they should be it is not disadvantaging anyone except himself, provided that once RF has past he has no opportunity to lower them.
6.	<i>The questions below all refer to Implementation Date decision see section 2.6.</i>		
6a	Do you agree that the Implementation Date should be arranged so as to prevent a 'run-off' of the current Supplier Charges rules? Please give rationale	No	We should let the current arrangements work their way out naturally.
7.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P157 to the Assessment Procedure? Please give issues and rationale	No	
8.	Are there any alternatives that you believe should be assessed during the Assessment Procedure? Please give rationale	No	

1.15	Question	Response	Rationale
9.	Are there any further comments on P157 that you wish to make?	Yes	<p>There is no evidence that the application of Supplier Charges to the Serials incentivises parties. The SAS operates on the basis of Serials but with no Supplier charges and there is no evidence of their being any significant difference in performance or party behaviour. In Scotland peer comparison and monitoring is used and the process is no less focussed because of it.</p> <p>In addition, Supplier Charges have been “out of order” for long periods, and so nobody knows whether or not they are effective. If they are it can only be over a sustained period, because the changes in performance and behaviour also take place over a long period.</p> <p>One solution would be to leave things exactly as proposed under P99 and review in 12 months time once Supplier Charges have had a chance to prove or disprove their worth.</p>

P157_DEF_006_Midlands Electricity

Good Morning,

Midlands Electricity (Formally Aquila Networks PLC) would like to return a response of 'No Comment' to P157 Definition Consultation.

Regards,

Deborah Hayward
Distribution Support Office &
Deregulation Control Group
Midlands Electricity

P157_DEF_007 - British Gas Trading

Respondent:	<i>Claire Walsh</i>
No. of BSC Parties Represented	
BSC Parties Represented	British Gas Trading, Electricity Direct (UK) Ltd
No. of Non BSC Parties Represented	
Non BSC Parties represented	<i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	<i>Supplier</i>

1.18	Question	Response	Rationale
1.	Do you support the principle of P157 that the current Supplier Charges Rules in their entirety are not appropriate or effective as a corrective technique? Please give rationale (Please note that this does not mean all aspects of the current Supplier Charges rules are inappropriate or ineffective)	No	We continue to support the view that a decision cannot be made regarding the effectiveness of SC's until the current technique is being applied consistently & in line with the expected schedule Nb NHH Serials have not yet been applied and Suppliers have recently being invoiced for December 2001 charges. Within Issue 6 we recommended that the current framework was brought up to date and that ELEXON review the technique to explore if the technique could be applied more effectively before it is abolished and replaced with another technique.
2.	<i>The questions below all refer to a Supplier Charge type mechanism see section 2.2.</i>		

1.18	Question	Response	Rationale
2a	<p>How should the funds acquired from Supplier Charge invoicing be treated?</p> <p>xxi) Redistribution (as currently)</p> <p>xxii) Amended redistribution so those who have performed badly do not receive, or receive less, funds.</p> <p>xxiii) Cover cost of PAF.</p> <p>xxiv) Central account get back when perform well</p> <p>xxv) Other?</p> <p>Please give rationale</p>	<p>a / b / c / d / e</p> <p>delete as appropriate</p>	<p>We continue with our assertions that options iii & iv are unrealistic and unmanageable and should not be explored within P157. An incentive technique should improve performance & therefore by using the funds to cover the cost of the PAF, the function would eventually be closed down for lack of funds!</p> <p>We would question why the Generators receive 10% of the redistribution funds & recommend that this be explored further by the VASMG.</p> <p>We would recommend the further review of option ii with regards to amended redistribution based on overall performance.</p>
2b	<p>Is the current capping approach suitable?</p> <p>If not please state whether in your opinion should capping be removed?</p> <p>Please give rationale</p>	<p>Yes / No</p>	<p>We recommend that the VASMG & ELEXON re-review the current genuine pre-estimate of loss calculation & determine if the value still holds true.</p> <p>We would recommend that the VASMG review the capping mechanism i.e. the fact the 2 caps are imposed at GSP and Supplier level & assess the applicability.</p> <p>Until we can review the metrics involved we would recommend the continuation of the existing capping arrangements.</p>

1.18	Question	Response	Rationale
2c	<p>Which of these should a new Supplier Charges technique utilise?</p> <ul style="list-style-type: none"> xxix) Delivery of Routine Performance Reports (Serial SP01) xxx) Delivery of Routine Performance Logs (Serial SP02) xxxi) Installation of HH Metering in 100kW premises (Serial SP04) xxxii) NHH Energy and MSIDs on AAs (Serial SP08a) xxxiii) 100kW HH Energy and MSIDs on Actuals (Serial SP08b) xxxiv) Non-100kW HH Energy and MSIDs on Actuals (Serial SP08c) xxxv) Other performance measure (for example based on issues that led to audit qualification)? <p>Please give rationale</p>	<p>a / b / c / d / e / f</p> <p>delete as appropriate</p>	<p>Would a PAF review be a more suitable forum to discuss which serials SC's should be applied to?</p>
2d	<p>Should a provision catering for circumstances of force-majeure be included?</p> <p>Please give rationale and state how this could be done</p>	<p>No</p>	<p>The framework for SC's cannot allow for force majeure to be provided for given the complexity of application of liability & the credit redistribution.</p>
3.	<p><i>The questions below all refer to a GSPGCF type mechanism see section 2.3.</i></p>		

1.18	Question	Response	Rationale
3a	<p>Do you support the Group's initial recommendation that the GSPGCF options should not be progressed?</p> <p>ix) Applying greater proportion of Group Correction energy to EAC vs. AA</p> <p>x) Adding volume directly to EACs</p> <p>Please give rationale</p>	No	We continue with our assertions that the GCF option (i) is an interesting proposal that should be developed further by ELEXON with a clearer option being tabled for the VASMG to review prior to the proposal being removed from the modification.
4.	<p><i>The questions below all refer to a Naming type mechanism see section 2.4.</i></p> <p><i>Note this will be used as an additional technique</i></p>		
4a	<p>Do you support the Group's initial recommendation that peer group comparison option should be progressed rather than the naming by exception option?</p> <p>Please give rationale</p>	No	We continue to support the introduction of PCT's, both naming in league tables or by exception. In the context of P157 The SC framework with it's financial penalties should incentivise improved performance and as a result the requirement for PCT's is an unnecessary step. We also note the lack of industry support to the recent PCT consultation & question why ELEXON is keen to drive forward with this initiative.
4b	<p>Do you support the Group's approach regarding what would be published?</p> <p>A table split by NHH and HH Suppliers with proportion of EAC/estimated versus AA/actual data entered into Settlement at RF and R1 respectively.</p>	No	See 4a.

1.18	Question	Response	Rationale
4c	<p>Is there any other data you would like to see published? If so please state and give rationale.</p>	Yes	<p>There is a potential that data could be used & published (anonymously) to identify issues within the market as an early warning system, entirely separate to a Supplier Charge framework. Taking Data quality as an example, if the energisation issues had been monitored at GSP level as an example then the industry & ELEXON would have had an opportunity to identify that there was a significant issue at an earlier stage & enabled Suppliers to undertake remedial & prevention actions at an earlier stage, thus minimising the adverse impact of Supplier on other Suppliers. This would support Suppliers to assess the impact of others as well as minimising and mitigating their own impacts.</p>
5.	<p><i>The questions below all refer to another mechanism see section 2.5a i.e. not allowing corrections after RF.</i></p>		
5a	<p>Do you consider this approach to be a suitable corrective technique? Please give rationale</p>	Yes / No	<p>We need further information regarding this proposal to assess it's potential as a "suitable corrective" technique – it is not clear within the consultation what this technique is proposing.</p>
6.	<p><i>The questions below all refer to Implementation Date decision see section 2.6.</i></p>		
6a	<p>Do you agree that the Implementation Date should be arranged so as to prevent a 'run-off' of the current Supplier Charges rules? Please give rationale</p>	Yes / No	<p>Again we require further information – operationally what is being proposed? Is this allowed for within the Code?</p>

1.18	Question	Response	Rationale
7.	<p>Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P157 to the Assessment Procedure? Please give issues and rationale</p>	Yes	<p>Given that Ofgem determined in favour of the benefits encompassed within Modification P99 (implementation due 1st May 2004) which encompasses amendments to the Standards & Serials, it could be argued that elements of this modification are attempting to undo, or in fact do not improve the changes that P99 is introducing – this does not support BSC objective (d). At this stage the merits cannot be established.</p> <p>In addition, during Issue 6 the VASMG had recommended that SC's should be simple – by introducing a new SC framework through P157, Suppliers would be mandated to operate with 3 sets of SC rules, namely pre-P99 rules; post-P99 rules & P157 rules. This would not be simple to administer nor simple to calculate and does not support the BSC objective (d). Additionally, the thrust of the issue appears to be regarding Serial 1/SP08. The PAB is working vociferously to improve performance across the industry and has agreed target dates for the achievement of the Settlement targets with Suppliers, it again seems premature to introduce a new SC framework when the PAB is endorsing Suppliers proforma's and targets for the achievement of this measure.</p>
8.	<p>Are there any alternatives that you believe should be assessed during the Assessment Procedure? Please give rationale</p>	No	
9.	<p>Are there any further comments on P157 that you wish to make?</p>	No	

P157_DEF_008 - energywatch

Respondent:	Lesley Davies
Non BSC Parties represented	energywatch
Role of Respondent	Gas and electricity consumer watchdog

1.19	Question	Response	Rationale
1.	Do you support the principle of P157 that the current Supplier Charges Rules in their entirety are not appropriate or effective as a corrective technique? Please give rationale (Please note that this does not mean all aspects of the current Supplier Charges rules are inappropriate or ineffective)	Yes (Qualified)	We agree the Supplier Charges (SC) regime is ineffective primarily due to: <ul style="list-style-type: none"> • immaterial/insignificant net charges levied on Suppliers failing to achieve the agreed performance standards; • over-complexity leading to poor understanding; and • lack of transparency of Suppliers' performance. The SC regime should be amended/replaced rather than removed.
2.	<i>The questions below all refer to a Supplier Charge type mechanism see section 2.2.</i>		
2a	How should the funds acquired from Supplier Charge invoicing be treated? xxvi) Redistribution (as currently) xxvii) Amended redistribution so those who have performed badly do not receive, or receive less, funds. xxviii) Cover cost of PAF. xxix) Central account get back when perform well xxx) Other? Please give rationale	v) - other	<ul style="list-style-type: none"> • The current redistribution mechanism substantially reduces the impact on a badly performing supplier and can even result in a Supplier which fails the standard but achieves higher than his peers being rewarded. The current mechanism rewards better than average performance even if average is well below standard. • The VASMG may wish to explore amended redistribution so only those who have achieved the standard receive funds. • The VASMG may also wish to explore whether the funds acquired could be directed towards compensating customers for poor performance from Suppliers.

1.19	Question	Response	Rationale
2b	<p>Is the current capping approach suitable? If not please state whether in your opinion should capping be removed? Please give rationale</p>	No	<ul style="list-style-type: none"> • Capping should be removed so that Suppliers are exposed to the full effect of the SC. • It may be appropriate to phase out the cap over a 'reasonable' period time.
2c	<p>Which of these should a new Supplier Charges technique utilise?</p> <p>xxxvi) Delivery of Routine Performance Reports (Serial SP01)</p> <p>xxxvii) Delivery of Routine Performance Logs (Serial SP02)</p> <p>xxxviii) Installation of HH Metering in 100kW premises (Serial SP04)</p> <p>xxxix) NHH Energy and MSIDs on AAs (Serial SP08a)</p> <p>xl) 100kW HH Energy and MSIDs on Actuals (Serial SP08b)</p> <p>xli) Non-100kW HH Energy and MSIDs on Actuals (Serial SP08c)</p> <p>xlii) Other performance measure (for example based on issues that led to audit qualification)?</p> <p>Please give rationale</p>	<p>i) ii), iv), v), vi) and potentially vii)</p>	<ul style="list-style-type: none"> • We believe clarity and transparency will be increased if SCs are focused on a 'small' number of key measures. • SP01 and 02 are required to ensure accuracy and timeliness of reporting. • SP08(a) is fundamental to the operation of the NHH market and, we believe, also relates to the accuracy of billing the end customer. For the sake of simplicity, it may be appropriate to remove the application of a SC to the R3 measure so that full attention is given to the RF performance. • We believe SC could usefully be applied to key issues that led to audit qualification, for example, a clear measure relating to energisation status.

1.19	Question	Response	Rationale
2d	<p>Should a provision catering for circumstances of force-majeure be included? Please give rationale and state how this could be done</p>	Yes	<ul style="list-style-type: none"> • Section S3.3 already makes provision for force majeure (FM). • We would anticipate FM being invoked at a greater frequency once the SCs are re-constituted to improve Supplier incentives and additional safeguards may be necessary to prevent abuse. • Our suggestion in 2.6 above of removing the R3 measure in SP08(a) would also give Suppliers considerable additional time to overcome a potential FM incident before this particular SC is applied. • In considering FM provisions, the VASMG should consider the Authority's decision letter on P115.
3.	<p><i>The questions below all refer to a GSPGCF type mechanism see section 2.3.</i></p>		
3a	<p>Do you support the Group's initial recommendation that the GSPGCF options should not be progressed?</p> <ul style="list-style-type: none"> xi) Applying greater proportion of Group Correction energy to EAC vs. AA xii) Adding volume directly to EACs <p>Please give rationale</p>	Yes	<ul style="list-style-type: none"> • The GSPGCF methodology is already complex and designed for a particular purpose. • We feel it may be inappropriate to complicate this process still further to fulfil the SC function. • Unlikely to be effective as clarity and transparency would be further reduced.
4.	<p><i>The questions below all refer to a Naming type mechanism see section 2.4.</i> <i>Note this will be used as an additional technique</i></p>		

1.19	Question	Response	Rationale
4a	<p>Do you support the Group's initial recommendation that peer group comparison option should be progressed rather than the naming by exception option? Please give rationale</p>	Yes	<ul style="list-style-type: none"> • Both good and bad performance should be in the public domain as customers have a strong interest in the quality of Suppliers' processes. This should provide an additional stimulus for Suppliers to achieve continuous improvement. • Naming 'by exception' is negative in that only poor performance is made public. It is likely to be a deterrent only in the threat of being named. Once a participant has been named this corrective technique will lose much of its force. • We agree with the conclusion that naming is an additional corrective technique and should support other financially based incentives.
4b	<p>Do you support the Group's approach regarding what would be published? A table split by NHH and HH Suppliers with proportion of EAC/estimated versus AA/actual data entered into Settlement at RF and R1 respectively.</p>	No	<ul style="list-style-type: none"> • Rank Suppliers in descending order of performance showing % energy settled on actual data at the latest reconciliation run used in the serials (i.e. show only the R1 result for HH and the RF result for NHH). • The HH and NHH performance should be shown in separate tables. • The rank achieved in the previous month should be shown to further encourage continuous improvement. • Both tables should clearly display the standard of performance necessary.
4c	<p>Is there any other data you would like to see published? If so please state and give rationale.</p>	No (Qualified)	<ul style="list-style-type: none"> • Publication of data should be limited to one or two key performance measures which may change through time as performance across the industry meets the standard required.
5.	<p><i>The questions below all refer to another mechanism see section 2.5a i.e. not allowing corrections after RF.</i></p>		
5a	<p>Do you consider this approach to be a suitable corrective technique? Please give rationale</p>	No	<ul style="list-style-type: none"> • This distorts settlement accuracy and is contrary to the intention of improving the accuracy of market data.
6.	<p><i>The questions below all refer to Implementation Date decision see section 2.6.</i></p>		

1.19	Question	Response	Rationale
6a	Do you agree that the Implementation Date should be arranged so as to prevent a 'run-off' of the current Supplier Charges rules? Please give rationale	Yes	<ul style="list-style-type: none"> The new mechanism should be implemented as soon as possible.
7.	Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P157 to the Assessment Procedure? Please give issues and rationale	Yes	<ul style="list-style-type: none"> As discussed earlier the redistribution of funds collected by SCs render the incentive insignificant and result in the perversity of Suppliers with sub-standard performance being financially rewarded. We believe the SCs should be applied in a more straight-forward manner and the funds collected used for the benefit of customers.
8.	Are there any alternatives that you believe should be assessed during the Assessment Procedure? Please give rationale	Yes	<ul style="list-style-type: none"> When a Supplier operates multiple individual supplier Ids, apply the SC across the group of suppliers based upon the performance of the lowest performing ID. This will incentivise large suppliers to apply best practice across the group. The mechanism would need to deal with the implications of a Supplier discontinuing with a particular supplier ID or a trade sale. To increase the incentive effect of SCs, in addition to removing the cap the current charge levels should be increased sharply in order to send a clear signal to Suppliers that data quality matters.
9.	Are there any further comments on P157 that you wish to make?	Yes	We strongly support this initiative to improve the effectiveness of SCs and to encourage the improvement of the quality of data used not just in Settlements but also in customer billing. We would welcome the opportunity of continuing to contribute to the development of these incentives.

